

West Chester, PA – At a critical time for the housing security of his constituents, Congressman Joe Sestak (PA-07) today met with members of the Home Builders Association of Chester and Delaware Counties (HBA) to discuss the weakened economic state of the home building industry and its impact on lost jobs and wages for the Association's 450 member companies. Congressman Sestak also spoke about the legislation he is introducing to expand home purchasing by changing the first-time homebuyer tax credit from a set dollar amount of \$7,500 to 10% of a home price- capped at 3.5% of FHA loan limits. Expanding home ownership will address falling home values, which is at the core of the current economic crisis.

"The unavailability of credit has led to an all-time high inventory of existing homes- which is increasing as foreclosures flood the market- driving down home values and causing job losses across all sectors of the economy, including the home building industry. To stabilize the broader economy, we must better address the housing crisis," said Congressman Sestak.

A comprehensive solution to the current economic crisis demands immediate efforts to resolve the core of the problem-- the ongoing cycle of increasing foreclosures. As a result, in the United States, housing starts for all of 2008 fell 33% from 2007 to 904,000 -- the lowest level of new construction since the federal government began keeping records in 1959. Defaults on first mortgages surged from around 800,000 in 2005 to 2.65 million in 2008, and mortgage delinquencies are rising sharply in every category- from 30 days through 120 days- signaling that defaults will rise substantially in 2009.

Like the rest of the nation, Pennsylvania has been impacted by the housing crisis. During the 3rd Quarter of 2008, there were 21,787 housing starts, which is a 41.9% decrease from the same period in 2007.

"If the government does not take further steps to mitigate the current housing crisis, approximately 8.5 million additional homeowners will default during the next three years and nearly five million households will ultimately lose homes in foreclosure sales, short sales, or deeds in lieu. This will further devastate the economic security of my constituents and small businesses. I am working diligently with my colleagues in the House to quell the current economic crisis, by addressing the core issue of the broader economic downturn- the housing crisis," said Congressman Sestak.

Earlier this week, Congressman Sestak voted for H.R. 384, the Troubled Asset Relief Program (TARP) Reform and Accountability Act of 2009, which overhauls the TARP to strengthen accountability, increase transparency, close loopholes, and require the Treasury Department to take significant steps on foreclosure mitigation.

“There have been serious policy missteps in the government’s implementation of the original TARP approval of \$350 billion, including the decision of Secretary Paulson not to use the TARP funding for its original intent of purchasing distressed mortgage loans and securities, but rather for capital insertion into banking institutions. While providing capital was essential, abandoning the distressed asset purchases altogether was a mistake as, after his announcement of this, prices of those assets caved further. This failure to provide clarity to the price of those assets by the government; purchase of them -- or evenly conduct a reverse auction to set their prices -- resulted in a failure to attract private investment once the price was known, and once the value of an institution holding such assets could then be determined.

“In the midst of a foreclosure crisis, the bill provides for a foreclosure mitigation plan of between \$40 and \$100 billion since quick action is needed to avoid the darker scenarios in which crashing home prices force even millions more from their homes, completely undermining the financial system and economy,” said Congressman Sestak.

But more action is needed. Since November, Congress Sestak has support the need for a second economic stimulus plan to restore the availability of affordable home, car, education, small business and other consumer loans, and prevent further decline in the stock market-- where the value of life savings, pensions, and 401Ks is lost. The stimulus should inject approximately \$825 billion (approximately 5% of GDP) to prevent the economy from slipping into a deeper and more protracted recession and must provide immediate relief to the housing crisis.

Specifically, Congressman Sestak believes the stimulus should provide funding for the Public Housing Capital Fund: \$5 billion for building repair and modernization, including critical safety repairs. Every dollar of Capital Fund expenditures produces \$2.12 in economic return. \$4 billion of the funds will be distributed to public housing authorities through the existing formula and \$1 billion will be awarded through a competitive process for projects that improve energy efficiency; HOME Investment Partnerships: \$1.5 billion to help local communities build and rehabilitate low-income housing using green technologies. Thousands of ready-to-go housing projects have been stalled by the credit crunch. Funds are distributed by formula; Neighborhood Stabilization: \$4.2 billion to help communities purchase and rehabilitate foreclosed, vacant properties in order to create more affordable housing and reduce neighborhood blight; Homeless Assistance

Grants: \$1.5 billion for the Emergency Shelter Grant program to provide short term rental assistance, housing relocation, and stabilization services for families during the economic crisis. Funds are distributed by formula; and Rural Housing Insurance Fund: \$500 million to support \$22 billion in direct loans and loan guarantees to help rural families and individuals buy homes during the credit crunch. Last year these programs received \$13.4 billion more in applications than they could fund; and Self-Help and Assisted Homeownership Program: \$10 million for rural, high-need areas to undertake projects using sustainable and energy-efficient building and rehabilitation practices. Funds will be awarded by competition to projects that can begin quickly.

“A comprehensive solution to the current economic crisis demands immediate efforts to resolve the core of this crisis- the ongoing housing crisis. In the United States, housing starts for all of 2008 fell 33% to 904,000 -- the lowest level of new construction since the federal government began keeping records in 1959. This translates into 1.4 million lost construction jobs and \$70 billion in lost wages. Defaults on first mortgages surged from around 800,000 in 2005 to 2.65 million in 2008, and mortgage delinquencies are rising sharply in every category- from 30 days through 120 days- signaling that defaults will rise substantially in 2009.

In Pennsylvania, there were 21,787 housing starts in the 3rd Quarter of 2008, which is a 41.9% decrease from the same period in 2007.

“If the government does not take further steps to mitigate the current housing crisis efforts, approximately 8.5 million additional homeowners will default during the next three years and nearly five million households will ultimately lose homes in foreclosure sales, short sales, or deeds in lieu. This will further devastate the economic security of my constituents and small businesses. That is why, I am working diligently with my colleagues in the House to quell the current economic crisis, by addressing the core issue of the broader economic downturn- the housing crisis.”

### Important Upcoming Events:

#### Grant Symposia

Congressman Joe Sestak has scheduled forums to provide important information about obtaining federal, state and private resources. At the forums, Congressman Sestak will give an overview of the appropriations process and discuss the importance of, as well as best practices for, applying for all types of grants. In addition, he will provide a copy of the Second Edition of the Pennsylvania 7th Congressional District Grant and Resource Directory, a one-stop shop for learning about opportunities to secure project funding. Last year's edition was the first known to be compiled by a Congressional office.

Meeting for all interested private individuals and private, non-profit, and other organizations:

Delaware County Community College  
Academic Building  
Great Auditorium  
901 South Media Line Road  
Media, PA 19063  
Saturday January 31st  
12-1PM  
Special meeting for First Responders:

Manoa Fire Company  
115 S. Eagle Rd  
Havertown, Pa. 19063  
February 8th  
2-3PM

If you have questions regarding these events, please call Susan Heppler at 610-892-8623 or [susan.heppler@mail.house.gov](mailto:susan.heppler@mail.house.gov)

*Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.*

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